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1. VIET MINH REPORTED GAINING CONTROL OF HOA HAO FORCES

The Viet Minh is beginning to show its hand in the area west of Saigon, 25X1A and the situation there is becoming ''urgent," according to President Diem. He said that Viet Minh advisers are assuming command of the units of Hoa Hao dissident leader Ba Cut. The other principal Hoa Hao commander, Tran Van Soai, recently broke off surrender negotiations with the government, and Diem assumes that the Viet Minh is now gaining control of these forces. The Vietnamese national army has Comment been forced to resume its campaign against the Hoa Hao rebels who were dispersed and greatly weakened last summer, but who have since re-

the American army attaché in Saigon has noted that Ba
Cut's forces have adopted the wartime guerrilla tactics

grouped. Their armed strength is believed to total ap-

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of the Viet Minh.

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2. HUNGARY MAY AGREE TO YUGOSLAV FINANCIAL DEMANDS

Hungary has accepted the Yugoslav position that \$120,000,000 of the total Yugoslav financial demands are not negotiable and has expressed willingness to begin immediate payments on this sum,

Comment

Hungarian party leader Rakosi has taken the position that financial difficulties with Yugoslavia must be settled despite possible sacrifices by Hungary. Yugoslavia broke off financial talks on 24 September, because Hungary refused to agree to pay about \$100,000,000 for World War II reparations and \$20,000,000 for unfulfilled orders for capital goods. Hungarian willingness to meet Yugoslav demands would pave the way for the reopening of financial talks which would include negotiations on a second category of claims—alleged damages to the Yugoslav economy from loss of trade since the break in 1948.

In an effort to conciliate Tito and to improve the atmosphere between the two countries prior to the resumption of financial talks, the Hungarian regime recently released Pal Justus, who was jailed with ex-interior minister Rajk in 1949 on charges of working for Yugoslav intelligence in Hungary.

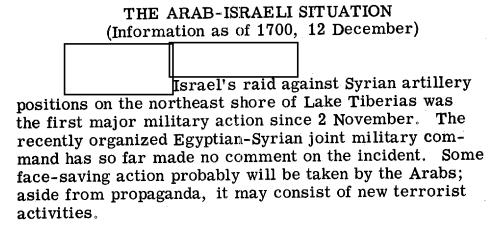
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Israeli spokesmen have stated that the attack was made to end Syrian interference with Israeli fishing vessels. While there has been a history of such interference, an equally important factor may have been the need to build up Israeli public morale, shaken by Egypt's arms deal with the Soviet bloc and by recent Israeli official statements regarding the country's rapidly diminishing military capabilities against the Arabs. In addition, Israel has been angered by Syria's refusal to release four Israeli prisoners held since December 1954. Israel may have used the raid to obtain more Syrian prisoners who can now be exchanged for Israelis.

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